

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07

EA-10 FRB-01 INR-07 IO-10 NEA-09 NSAE-00 RSC-01

OPIC-06 SP-02 TRSE-00 CIEP-02 LAB-04 SIL-01 OMB-01

PA-02 PRS-01 USIA-15 ABF-01 FSE-00 /099 W

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R 231313Z JAN 75

FM AMEMBASSY BERN

TO SECSTATE WASHDC 136

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL ZURICH

UNCLAS BERN 0320

E.O. 11652: N/A

TAGS: EFIN, SZ

SUBJECT: SWISS TIGHTEN FOREIGN EXCHANGE CONTROLS

REF: BERN 4373

1. DESPITE CONSIDERABLE INTERVENTION BY SWISS NATIONAL BANK (SNB), RENEWED SELLING PRESSURE FORCED SPOT DOLLAR TO NEW LOW OF SF 2.4875/2.4925 ON JANUARY 22. CONSEQUENTLY, FEDERAL COUNCIL AUTHORIZED SNB TIGHTEN CONTROLS ON INFLOW OF FOREIGN EXCHANGE.

2. EFFECTIVE 1700 HOURS (LOCAL TIME) JANUARY 22 SNB TOOK FOLLOWING MEASURES:

A) NEGATIVE INTEREST RATE ON INCREASES IN NONRESIDENT SF ACCOUNTS SINCE OCTOBER 31, 1974, INCREASED FROM 3 PERCENT  
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TO 10 PERCENT PER QUARTER. THREE PERCENT PER QUARTER

RATE HAD BEEN REINSTITUTED NOVEMBER 20, 1974 (REFTEL).

B) ALL INTEREST PAYMENTS ABOLISHED ON NONRESIDENT SF ACCOUNTS, REGARDLESS OF WHEN FUNDS ENTERED SWITZERLAND. UNDER NOVEMBER 20 REGULATIONS, INTEREST PAYMENTS HAD BEEN PERMITTED ON DEPOSITS MADE ON OR BEFORE OCTOBER 31.

C) BANKS AGAIN REQUIRED TO BALANCE FOREIGN EXCHANGE ASSETS AND LIABILITIES AT END OF EACH TRADING DAY. THIS REQUIREMENT PREVIOUSLY IN EFFECT FROM JULY 5 TO OCTOBER 16, 1972.

D) SNB AUTHORIZED STERILIZE SF CREATED THROUGH INTERVENTION IN FOREIGN EXCHANGE MARKET BY REQUIRING SF PURCHASERS TO MAINTAIN FUNDS RECEIVED IN NONINTEREST BEARING SNB ACCOUNT.

3. PRESSURE ON DOLLAR ATTRIBUTED TO COMBINATION OF LOWER US INTEREST RATES, SALE OF DOLLARS BY BANKS TO COVER EXPOSED POSITIONS RESULTING FROM REFUSAL TO SINDONA FIRM SOCIETA GENERALE IMMOBILIARE TO HONOR CERTAIN FOREIGN EXCHANGE CONTACTS, AND FEAR THAT CURRENT US ECONOMIC POLICY TOO INFLATIONARY.

4. THESE NEW ACTIONS BY FEDERAL COUNCIL AND SNB TAKEN IN EFFORT MAINTAIN COMPETITIVENESS OF SWISS EXPORTS. MEASURES INTRODUCED OVER PAST TWO MONTHS AND SNB INTERVENTION UNABLE STEM RISE OF SF WHICH HAS APPRECIATED APPROXIMATELY 8 PERCENT AGAINST DOLLAR SINCE NOVEMBER 20. PRELIMINARY REACTION OF SWISS BANKERS IS THAT LATEST MEASURES WILL NOT BE PARTICULARLY EFFECTIVE IN REDUCING DEMAND FOR SF AND ONLY DAMAGE SWITZERLAND'S REPUTATION AS INTERNATIONAL FINANCE CENTER.

5. SPOT DOLLAR OPENED JANUARY 23 IN ZURICH AT SF 2.5200/2.5400, ROSE TO SF 2.5700/2.5900, THEN FELL BACK TO SF 2.5025/2.5075 JUST BEFORE LUNCH. MARKET NERVOUS BUT TURNOVER NOT LARGE. TRADERS APPARENTLY AWAITING FURTHER DETAILS FROM SNB.  
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## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** BANK DEPOSITS, INTEREST RATES, FOREIGN EXCHANGE RATES  
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**Decaption Note:**  
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**Reference:** 75 BERN 4373  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** ShawDG  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 09 APR 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <09 APR 2003 by SilvaL0>; APPROVED <18 FEB 2004 by ShawDG>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
05 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
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**TAGS:** EFIN, SZ  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006